



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 10, 2026

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 1209 (LC 59 0359S)

Dear Chairman Hufstetler:

The bill would create a sales tax exemption for tangible property and construction materials used for the construction and furnishing of buildings meeting specific criteria outlined in the bill. Qualifying purchasers are required to pay sales and use tax on all purchases and may obtain the benefit of the exemption by filing for a refund of tax paid on qualifying items. The exemption becomes effective July 1, 2026, and extends until June 30, 2033, or until the aggregate sales and use tax refunded related to the exemption exceeds \$7 million, whichever occurs first.

Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 59 0359S

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State Effect	(\$2.4)	(\$1.6)	\$0.0	\$0.0	\$0.0
Local Effect	(\$1.8)	(\$1.2)	\$0.0	\$0.0	\$0.0
Total	(\$4.1)	(\$2.9)	\$0.0	\$0.0	\$0.0
Cumulative Total	(\$4.1)	(\$7.0)	\$0.0	\$0.0	\$0.0

Impact on Expenditures

The Department of Revenue would be able to implement the bill’s provisions with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

The subject legislation proposes to create a sales tax exemption for tangible property and construction materials used for the construction and furnishing of buildings meeting specific criteria outlined in the bill. To qualify for the proposed exemption, the building must be “located at any wharf lot with improvements that are located between 1,500 and 5,000 feet of a state-owned convention or meeting facility with between 150,000 and 750,000 square feet of available meeting space that is also located on an island in a river that serves as this state’s boundary.”

Qualifying purchasers are required to pay sales and use tax on all purchases and may obtain the benefit of the exemption by filing a claim for refund of tax paid on qualifying items. The exemption shall not include the sale or use of tangible property remaining in the possession of a contractor after completion of construction. Refunds will not include interest.

The exemption becomes effective July 1, 2026, and extends until June 30, 2033, or until the aggregate sales and use tax refunded for the exemption exceeds \$7 million, whichever occurs first.

The revenue impact estimates in Table 1 are based on the following data and assumptions:

- Based on the qualification criteria outlined in the bill, only one qualifying project in the state was identified.
- The qualifying project will be bond financed. The bond rating analysis for this project, published by S&P Global, indicates construction costs will be approximately \$313.2 million.
- The qualifying project broke ground in October 2025 and is expected to be completed in June 2028. Costs are assumed to be incurred ratably over this 33-month period. Only qualifying purchases made on or after July 1, 2026, will be eligible for the exemption.
- Data on the composition of gross output in the construction industry, published by the Bureau of Economic Analysis, implies the labor share of construction costs to be approximately 48 percent. The remaining 52 percent of construction costs are assumed to be exempted material purchases.
- At a combined state and local sales tax rate of 7 percent, the \$7 million cap on refunds exempts the first \$100 million in exempted material purchases.
- Based on the above data and assumptions, qualifying purchases are expected to total approximately \$59 million per year in fiscal years (FY) 2027 and 2028. This would indicate that the cap is expected to be reached during FY 2028.

The estimated exempted material spending based on these data and assumptions are shown in Table 2. Note that based on the bill’s language, effective date, and the presumed starting date of construction, the FY 2026 spending below is assumed to be subject to state and local sales taxes.

Table 2. Materials Spending on Qualifying Construction Project

(\$ millions)	FY 2026	FY 2027	FY 2028
Materials Spending	\$39.25	\$58.9	\$58.9
Sales Tax Paid at 7%*	\$2.7	\$4.1	\$4.1
Exempt Portion	NA	\$4.1	\$2.9

* The effective local tax rate for this project is assumed to be 3 percent, based on the location of the identified project.